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ABSTRACT

The activities and discussion questions in this unit can be used in secondary social studies classes to teach students about world trade and its role in their personal lives. Although designed for Tennessee classrooms, the unit can be easily adapted for use elsewhere. Many of the activities are self-contained. However, some require the use of readings from booklets and pamphlets listed in the unit. Activities are organized around the following concepts: international trade is Tennessee's window on the world; international trade has many faces; international trade has important side effects and fringe benefits; international trade is promoted by free trade and limited by trade barriers; and international trade is actively promoted by the state governor in Tennessee. The activities are many and varied. Some examples follow. Students must read and summarize at least five articles on international trade in current magazines. Students invite a local banker to explain what is meant by a "balance of payments." Another activity asks students to investigate the relationship(s) between foreign trade and war and to prepare a report on the tariff in U.S. history. The unit concludes with bibliographies of books, magazines, and newspapers and a glossary. (RM)

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INTERNATIONAL TRADE: TENNESSEE'S WINDOW ON THE WORLD

LEAGUE OF WOMEN VOTERS OF TENNESSEE EDUCATION FUND

Prepared for the International Relations Committee by Miriam Roach, Nell Pinkerton, and Margaret Wiener

SP 014 046

State of Tennessee

LAMAR ALEXANDER GOVERNOR

October 15, 1981

Dear Educator,

International trade is a vital component of Tennessee's economy. As we strive to raise family incomes in our state, the expansion of existing industry and the recruitment of domestic and foreign industry are essential. At the same time, exports of Tennessee products--particularly agricultural produce, as well as manufactured goods--are significant activities that help boost our state's economy.

The League of Women Voters of Tennessee has made an exciting contribution to understanding in this aspect of life in Tennessee. I am pleased to commend this special booklet to you for this consideration in planning your social studies curriculum. It suggests some resources that may be helpful as you continue your own preparation in this important field.

From my own experience as Governor, I believe that it is vital for all of us--especially those young Tennesseans who will be our leaders sooner than we imagine--to have an understanding and appreciation of our state's role in the international market place. You have my sincere best wishes for a rewarding new school year.

Sincerely,

Lamar Alexander

LA/khs

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PREFACE

Each of us, whether we wish it to be so or not, has a stake in world trade. The foods we eat, the clothes we wear, the radios and television sets that entertain and inform us, the watches that schedule our day, the motorcycles we ride, the automobiles we drive, the gasoline we use--all are likely to be, in whole or in part, products from abroad. Even the family income may be related to or dependent upon the international exchange of products and services. It behooves us, then, to inform ourselves concerning the facts and myths about world trade.

This unit, INTERNATIONAL TRADE: TENNESSEE'S WINDOW ON THE WORLD, is intended to enhance the understanding of international trade and its role in our personal lives. It is designed for Grades 7-12 and may be used in many subject areas: economics, American history, Tennessee history, government and civics, geography, problems in democracy, home economics, business law and/or management. It is highly flexible, viable for modification as grade level, general subject area, student ability, and time constraints may require. It is anticipated that the individual teacher will select from the suggested activities and discussion questions the items best suited to his/her situation.

A special packet of materials has been prepared to accompany the unit. It contains single copies of booklets and pamphlets appropriate to the study. Additional items may be obtained from various departments of the local, state, and national government, the Chamber of Commerce, business organizations, and companies heavily involved in foreign trade, e.g. the oil companies, car dealers, and farm groups. While the unit is designed for Tennessee classrooms, it can be easily adapted for use elsewhere.

Occasionally an activity is repeated because it is equally appropriate for development of different concepts. This is done for the teacher's convenience in order to avoid shuffling through the unit to find a prior description. It is recommended, moreover, that liberal use be made of local business, labor, government, community and civic organizations as sources for speakers and consultants. Parents are often a valuable resource, as are members of the school staff.

NOTES

INITIATORY ACTIVITIES

PURPOSE: To stimulate an interest in and understanding of the importance of world trade in our lives.

1. Prepare a bulletin board display using a world map and appropriate symbols or pictures demonstrating both imports and exports involved in trade between the United States and other nations.

2. Prepare a bulletin board display using an outline map of Tennessee demonstrating both imports and exports between Tennessee and the nations of the world. Include Mexico, Canada, and countries in Central and South America.

3. Ask each student to make a list of items in his/her home that came from another country. Remind the students to include radios, television sets, bicycles, motorcycles, tape players/recorders, watches, and automobiles. Make a composite list for the class, keeping the identity of owners of valuable items anonymous so that this will not become a "hit list."

4. Prepare a bulletin board display under the title: "DID YOU KNOW THAT..." and list below (or use drawings or actual items) "TENNESSEANS SEND _____ TO _____." Information for this activity can be obtained from the booklets, FARM EXPORTS MAKE JOBS, TENNESSEE EXPORTS, AND TENNESSEE EXPORT/IMPORT TRADE DIRECTORY.

5. Prepare an exhibit of items exported from Tennessee, labeling the destination of each. This information may be obtained from the sources listed in No. 4 above. A world map should indicate the nations, regions and/or continents involved.

6. Prepare an exhibit of imports used by Tennesseans, personally and in business, labeling the source of each. A world map should be used to indicate the nations and/or continents concerned. See No. 4 above for sources of relevant information.

7. With the assistance of the class, list items of food that are associated with the Christmas season. Remember fruit cake ingredients, cookies, fruits, and beverages. Identify those that come from other parts of the world.

8. Prepare a bulletin board display of newspaper and/or magazine articles relating to world trade. Encourage students to bring other items to add to the exhibit.

Initiatory Activities

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9. Invite a member of a local firm heavily involved in exports (see TENNESSEE EXPORT/IMPORT TRADE DIRECTORY) to speak to the class on the importance of export trade for the United States in general and Tennessee in particular.

10. Have students collect items exported from Nashville-Davidson County and from other places in the state and set up a display that is labeled with appropriate information.

11. Invite representatives from the following to constitute a panel on TENNESSEE'S STAKE IN WORLD TRADE:
    (1) an industry involved in imports
    (2) an industry involved in exports
    (3) an industry competing with imports
    (4) the State Department of Agriculture
    (5) the banking business
    (6) the State Department of Economic and Community Development
    (7) a labor union.

    On the day following the panel presentation, discuss with the class the varying points of view expressed by the participants.

NOTES

DEVELOPMENTAL ACTIVITIES AND DISCUSSION QUESTIONS

SPECIAL PROJECTS

1. Establish a learning center in which has been collected current issues of newspapers and magazines such as: TIME, U.S. NEWS AND WORLD REPORT, NEWSWEEK, FORTUNE, BUSINESS WEEK, CONSUMER REPORTS, CHRISTIAN SCIENCE MONITOR, NEW YORK TIMES (Sunday Edition), WALL STREET JOURNAL, SCHOLASTIC, DAILY LOCAL NEWSPAPER(S), and other available appropriate materials. The center should contain copies of the WORLD ALMANAC, INFORMATION PLEASE ALMANAC, pamphlets, booklets, and brochures secured from government and industrial sources, along with relevant textbooks. Many of these items can be secured on a classroom loan basis from the school library/materials center. Appoint a committee of students to supervise circulation of these resources.

2. Require each student to prepare a folder in which to collect selected items such as the following:
   (1) Five or more newspaper clippings concerning world trade and its role in our lives today; student comments should explain why these clips were chosen.
   (2) Summaries of five or more articles on world trade from current magazines. Encourage students to react to the articles selected.
   (3) A list of items demonstrating the student's personal/family involvement in foreign trade. This list may be accompanied by "evidence" such as clothing labels, labels reading "Made in _____," a photograph of the family car--if it is an import--and/or other items (i.e. motorcycle, radio, TV, camera).
   (4) A report on the special agricultural product and/or industry selected by the student for concentrated study. The folder should house photographs, sketches, brochures, samples, reports of interviews secured by the student, etc.
   (5) Position paper(s) and other reports prepared by the student during the study.
   (6) Charts, maps, diagrams, cartoons, etc. prepared by the student and/or a committee on which he/she served during the study of international trade.
   (7) Crossword or other puzzles, games, quiz show questions or other materials used and/or designed by the student.
   (8) Clipped or original editorial cartoons and/or stick figure illustrations relating to world trade, including specific import-export trade patterns.
   (9) An illustrated glossary (selected terms).
   (10) Class notes and assignments, including panel discussions and responses to discussion questions and topics.

NOTES

3. Adapt a current television game show to the entire area of international trade or specialize in one aspect such as:
   (1) Products exported from Tennessee.
   (2) Terms from the glossary.
   (3) Items Tennessee (and/or other states) must import from foreign countries.
   (4) Free trade and the barriers to free trade.

   NOTE: Game shows that could be adapted include:
   Password Plus
   Blockbusters
   Wheel of Fortune
   Hollywood Squares
   Tic Tac Dough

4. Construct (or have students construct) crossword puzzles, acrostics, word-block puzzles, "card" games, etc. based on the entire area of international trade or on one aspect thereof such as:
   (1) Products imported by Tennesseans (see TENNESSEE EXPORT/IMPORT TRADE DIRECTORY), especially items imported by Tennessee industries.
   (2) Products exported by Tennessee industry and agriculture.
   (3) Free trade and barriers to free trade.
   (4) Terms from the glossary.
   (5) Historic trade patterns.

5. Require each student to clip five or more items concerning foreign trade from local newspapers. Each clipping should be identified as to source and date and should be accompanied by comments explaining its selection.

6. Require each student to read at least five articles on international trade in current magazines. Each article should be summarized and its implications for world trade analyzed/explained.

NOTES

DEVELOPMENTAL ACTIVITIES AND DISCUSSION QUESTIONS

CONCEPT ONE: INTERNATIONAL TRADE IS PART OF OUR EVERYDAY LIVES

1. Have each student make a list of items that demonstrate personal/family involvement in foreign trade. This should be accompanied by "evidence" such as clothing labels or labels reading "Made in _____," a photograph of the family car--if it is an import--and other items (i.e. motorcycle, radio, TV, camera). Make a composite list for the class, keeping the identity of owners of valuable items anonymous so that this will not become a "hit list."

2. (1) Why does international trade exist?
   (2) Is it possible for any nation (including the United States) to produce everything its people need? Why or why not?
   (3) Is it desirable that a nation be self-sufficient? Why or why not?
   (4) Why would a nation wish to be self-sufficient?

3. (1) Are there valid reasons why we should buy television sets, cameras, motorcycles, radios, and cars from Japan when we manufacture these items in the United States? If so, what are they?
   (2) If you were an American farmer and knew that Americans sell about $4 billion worth of farm products to Japan each year, would your answer be the same? Why or why not?

4. How does international trade affect the business, social, educational, cultural, and economic life of your town/city/county? Of Tennessee? (Consider the World's Fair in Knoxville in 1982.)

5. Prepare a product map showing the areas of the world that specialize in certain products, especially those that are based on natural resources or geographic advantages. This could be a group or class project and should be displayed on the bulletin board.

6. List examples of international specialization, for instance Holland--tulips, Scotland--textiles, France--fashion, Brazil--coffee, Switzerland--watches. This would make an interesting "growth list" as students discover additional specialization.

NOTES

7. It is important that certain basic vocabulary be established. The teacher is the best judge of the quality and extent of that vocabulary, but it is recommended that each student understand at least the following terms: (see GLOSSARY accompanying this unit)
   (1) balance of trade and balance of payments
   (2) absolute advantage
   (3) comparative advantage
   (4) consumer
   (5) duty (tax)
   (6) embargo
   (7) export
   (8) GNP (gross national product)
   (9) imports
   (10) market
   (11) tariff
   (12) customs (tax)
   (13) trade deficit
   (14) currency
   (15) commodity
   (16) common market (not just the European Common Market)

8. Discuss Frederick Golladay's statement (ECONOMICS: PROBLEMS, PRINCIPLES, PRIORITIES, page 382) that: "Trade is especially important for the 100 or so developing countries. Trade offers them the opportunity to exchange raw materials and cheap labor for atomic power plants, road building equipment, and kidney dialysis--items that could be produced locally only after decades of research, training, construction, and production." Add products and other items that developing countries need to import. Why? Give specific examples of developing countries for which trade is vital. Locate these on a world map.

9. How can the United States, with high wages, sell goods in competition with similar products made in countries with cheap labor? If you think that this places us in a difficult or impossible position, explain why we are among the largest exporting nations in the world.

10. According to the booklet, THE TRADE DEBATE, "We sell manufactured goods to other industrial countries and we buy manufactured goods from them; in other words, we seem to be taking in each other's laundry." Is there economic justification for this? Would it be better if Americans traded only with other Americans, Europeans with Europeans, Japanese with Japanese? Why or why not?

11. Why should we encourage developing countries to increase production and export of manufactured products? Doesn't this create competition for the output of our own factories? Weigh your answer against the desirability of (1) encouraging these countries to take self-help steps toward economic development that will allow them to import more goods from the rest of the world, including the United States, or (2) continuing indefinitely to aid them economically.

NOTES

12. As a manufacturer of airplanes, would you consider it a good policy to import airplane engines from England? Wing assemblies from Canada? Why or why not?

13. The people of one country trade with the people of another country because of absolute and comparative advantage. What do the terms absolute advantage and comparative advantage mean and why would they affect trade?

    NOTE: One country has an absolute advantage over others when its production costs are clearly cheaper. India, for example, can produce tea more cheaply than Canada could--if, in fact, Canada could produce tea at all. Climate and natural resources obviously contribute to the flow of international trade. Comparative advantage means that, although the people of one country can produce certain items, it is more profitable for that country to import these items and concentrate on the production of other goods and services in which it has the greatest cost advantage. Suppose, for example, that an engineer is a better typist than anyone he can hire. Would he be wise to do his own typing? For an excellent discussion of absolute and comparative advantage, see C. Lowell Harriss' ECONOMICS: AN ANALYTICAL APPROACH, pages 453-454.

14. Strategic materials, by definition, are materials that are essential--that we MUST have--either for defense or for industry. Antell, on page 355 of ECONOMICS: INSTITUTIONS AND ANALYSIS, indicates that the following are strategic imports and provides the approximate percentage of each required:

nickel	92%	tin	100%
cobalt	90%	bauxite	90%
beryllium	96%	natural rubber	100%
manganese	98%	antimony	90%
industrial diamonds	100%	platinum	95%
chrome	90%	fluorspar	71%

In what industries are these materials used? From what countries are they imported? Prepare a world map showing the source(s) of these strategic materials.

NOTES

15. Gordon and Witchel, in AN INTRODUCTION TO THE AMERICAN ECONOMY: ANALYSIS AND POLICY, on page 322, list the following as items we import:

spices	tea	tin	zinc
lead	bananas	rubber	coffee
copper	chrome	mahogany	mercury
tungsten	olive oil	manganese	newsprint
silk	bauxite	tung oil	diamonds
jute	wool	mohair	coconut oil
platinum			nickel

How is each of these items used? Where can each be found? In your opinion should we add petroleum to this list? Why or why not? On an outline map of the world identify the source(s) for each.

16. The same authors (see No. 15 above) indicate that the following are important United States exports:

books	paints	paperboard
automobiles and parts	agricultural machinery	paper
steel	industrial machinery	lard
lumber	tobacco	corn
photographic goods	canned foods	soybeans
cotton	naval stores	cigarettes
chemicals	aircraft	sulphur
cotton goods		rice
		carbon black

Are any of these goods produced in Tennessee? If so, which ones? Should aluminum and plastics be added to this list? Why or why not? Where are these manufactured in Tennessee?

17. Reproduce the "chart," U.S. IMPORT DEPENDENCE AND IMPORT SOURCES, on the inside of the front cover of THE TRADE DEBATE. On a world map indicate the source(s) of these imports. What is the nature of each and how is it used?

NOTES

18. Use the introduction to THE TRADE DEBATE to discuss the following questions:
    (1) What is trade?
    (2) How does trade affect the living standards of nations? What happens to nations that try to be self-sufficient?
    (3) Explain the statement: "For the United States today trade is vital."
    (4) How does the dollar value of U.S. exports and imports today compare with that of 1960?
    (5) How does the relationship between exports and imports affect our attitude toward world trade in general? Why?
    (6) What are the chief considerations involved in determining the extent of participation in world trade on the part of any nation? What difficulties are produced by international trade?

19. Ask an academically able student to interpret the chart on the inside of the back cover of THE TRADE DEBATE and to comment on its significance for international trade. The "chart" is entitled DEVELOPING COUNTRY DEPENDENCE ON PRIMARY PRODUCTS FOR FOREIGN EXCHANGE EARNINGS.

20. How and why do imports create jobs?

21. How and why do exports create jobs?

22. Why are exports necessary? Imports? Why can't we "have one without the other?"

23. What do we mean by a "balance of trade?" Why are we concerned about it?

Concept Two

NOTES

DEVELOPMENTAL ACTIVITIES AND DISCUSSION QUESTIONS

CONCEPT TWO: INTERNATIONAL TRADE IS TENNESSEE'S WINDOW ON THE WORLD

1. Compile a list of little known facts about Tennessee exports, for example: The Nod Company in Nashville exports communion wafers to Canada, Japan, England, Spain, Germany, Italy, Taiwan, Liberia, Morocco, the Philippines, Guam, Bermuda, France, South America, and Mexico. On a world map locate these countries/areas. For more information of this kind consult the TENNESSEE EXPORT/IMPORT TRADE DIRECTORY published by the Tennessee Department of Economic and Community Development.

2. In 1976 Tennessee exported about $1.5 million worth of ball clay. What is ball clay and how is it used?

3. Prepare an exhibit of Tennessee exports. This might be displayed in the school trophy case, a bank lobby, or a shopping mall. Each item should be appropriately labeled.

4. How is international trade Tennessee's window on the world?

5. Select one or more of the industries in Tennessee involved in foreign trade and prepare a special report (to be shared with the class) on each industry/product selected. Be sure to describe the products exported--along with any imported products used by the same company--and indicate the countries to which each product is exported or from which a product is imported. Interview a company official concerning the importance of international trade. With the permission of the official concerned, tape record the interview. (It is often very difficult to take adequate notes or remember exact statements you may wish to quote in your report.)

6. Investigate the Hospital Corporation of America and its activities in foreign countries. You should interview a company official concerning these programs. Tape record the interview for your report to the class.

7. According to the U.S. Department of Agriculture's FARM EXPORTS MAKE JOBS, what are the chief agricultural products exported by the United States? Which of these come from Tennessee?

8. According to the U.S. Department of Commerce publication, TENNESSEE EXPORTS, what are Tennessee's chief agricultural exports? In what part(s) of the state are these export items produced? What are Tennessee's leading manufactured exports? On an outline map of Tennessee indicate the areas in the state in which agricultural and manufactured exports are produced.

NOTES

9. According to the Tennessee Department of Agriculture pamphlet, TENNESSEE GO GLOBAL REVIEW, how does Tennessee rank in agricultural exports among the fifty states? What are the projections or prospects for the future for Tennessee agricultural exports?

10. McCarty in DOLLARS AND SENSE: AN INTRODUCTION TO ECONOMICS writes (pages 253-254): "There are many reasons why specialization is desirable. Some regions are better suited geographically for certain types of production. Agricultural production is the most obvious example....Other geographic features may promote different kinds of industries: a sheltered harbor provides protection for shipbuilding; rushing mountain streams provide power for operating machinery; mountainous terrain exposing layers of minerals provides materials for manufacturing."
    (1) What are Tennessee's geographic advantages?
    (2) Using drawings or symbols, indicate on an outline map of Tennessee areas that have special geographic advantages.
    (3) How can these advantages be utilized to promote international trade?
    (4) What countries would be the most likely customers for Tennessee agricultural and/or industrial products? Why?

11. Explain the title of the pamphlet: FARM EXPORTS MAKE JOBS. Why is a $ sign written inside the "O" in JOBS? Why are both "O's" represented as world globes?

12. Conduct a taped interview with the Tennessee Commissioner of Agriculture concerning the importance of international trade to agriculture in Tennessee. Share this information with the class.

13. Conduct a taped interview with the head of the Department of Economic and Community Development concerning the importance of international trade to economic development in Tennessee. Share this information with the class.

14. Using the material provided in the pamphlet, AGRI-BUSINESS IN TENNESSEE, draw a pictomap of Tennessee indicating Tennessee's top agricultural products.

15. Geography classes would be especially suitable for the development of a poster based on "The Land of Tennessee Boasts..." found on the back of the pamphlet, AGRI-BUSINESS IN TENNESSEE.

16. Tape an interview with the leader of a labor union concerning the impact of international trade--imports and exports--on Tennessee workers.

Concept Three

NOTES

DEVELOPMENTAL ACTIVITIES AND DISCUSSION QUESTIONS

CONCEPT THREE: INTERNATIONAL TRADE HAS MANY FACES

1. International trade occurs in many forms, both visible and invisible. Visible international trade is made up of tangible products; invisible international trade covers those exchanges that are not clearly visible products but are, instead, "services." How could military assistance be both visible and invisible international trade?

2. Harriss, in ECONOMICS: AN ANALYTICAL APPROACH (page 455), writes: "Not only do people in different lands exchange products (such visible items as cotton and machines). People also perform services of many types for each other. Since these services are ordinarily paid for with money, they must be included in international trade accounts. We call such services <u>invisible</u> items. When a person goes to another country as a tourist, for example, he receives hotel accommodations and other services. He will also consume things on the spot--food and gasoline, for example; in doing so he spends money for things he does not bring home.... Travelers often use airplanes and other transportation facilities owned by foreigners. Business and even individuals may buy insurance from foreign companies and use foreign banks. People from many lands come to New York hospitals, Salzburg's music festival, and England's universities. The recreation areas of Canada draw New Yorkers by the thousands. More and more Americans are visiting Mexico." Analyze the information given above to determine when Americans would be spending money abroad and foreigners would be spending money in the United States. Is an outflow of money from America an import or an export? Why? Is an inflow of money into America an import or an export? Why?

3. Harriss adds (page 456): "Another type of invisible item consists of funds sent from one country to another--money which is not payment for goods. People who have invested abroad receive interest and dividends paid from the earnings of wealth in other countries. Private and governmental gifts to individuals and to governments in other lands now come to a substantial total. Such transfers may consist of funds sent by immigrants to relatives in the old country, contributions to missionary stations, emergency relief grants, payments to help maintain defenses against communism, or gifts to encourage economic development in poor lands." Are the situations described above "invisible exports" or "invisible imports" for the United States? Why?

NOTES

4. When military and diplomatic personnel stationed abroad buy and consume items produced abroad, is this visible or invisible foreign trade? Why?

5. List some designers of high fashion from Italy, France, and England that are popular in the United States. List American styles and designs popular in other nations.

6. Compile examples of "invisible" international trade that are related to Nashville and to Tennessee. Remember that invisible items include travel, tourism, investment, medical services, scientific exchange, technological assistance, sports, and entertainment. Are these items imports or exports? Why?

7. For the most part people (either as individuals or as business firms) rather than governments engage in foreign trade. This brings up the question of the way in which payments are made. Harriss (ECONOMICS: AN ANALYTICAL APPROACH, page 450) writes: "The things we buy abroad, and those we sell, must be paid for. The payments are in the form of money. Yet when we must pay someone in Guatemala for bananas, or when an American receives payment from a Japanese for cotton, two kinds of money are involved--our dollars and the money of the other country. Financing foreign trade, therefore, presents problems that differ from those which arise when someone in Chicago must pay someone in New York." Obviously the foreigner cannot spend his dollars locally, nor can an American spend the Japanese money he receives. How, then, is the problem solved? Invite a local banker who specializes in international finance to explain the process involved. (See No. 12 below)

8. How is the music industry involved in international trade?

9. Why is Opryland involved in international trade? To what extent?

10. On an outline map of the world draw lines from your community to various places in the world that supply you personally with products and/or services. Label or draw symbols of the visible and invisible items involved.

11. Which of the following are examples of "invisible items" of American exports--that bring money into the U.S.?
    (1) Foreign travel on American airlines
    (2) Foreign purchases of American automobiles
    (3) American travel on foreign airlines
    (4) American purchases of Japanese cars
    (5) An Australian visits Opryland

NOTES

12. Advanced students who are really interested in the monetary aspects of world trade will enjoy playing the simulation game, TRADE: A SIMULATION OF THE PRESSURES AND PROCEDURES OF INTERNATIONAL COMMERCE, Interact Company, Box 262, Lakeside, California 92040. Students in the Metropolitan Nashville Public Schools may secure the game in the office of the coordinator of Social Studies.

13. A vital force in international trade are the multinationals. "A firm which carries on productive operations in more than one country is called a multinational firm," says McCarty in DOLLARS AND SENSE. "Although American firms still own about 60 percent of the total international direct investment, the foreign share is growing rapidly. Some important multinationals with home bases in European countries are Shell, Olivetti, Bayer, Volkswagen, and Nestle. Japanese firms are also moving into the international arena. Mitsubishi, Matsushita, Mitsui, Sony and others have plants in the United States." (Pages 273-274.) What foreign firms have plants in Tennessee? What are the benefits of multinationals? What problems do they create?

14. Cite examples of multinational firms, based in the United States, especially Tennessee, that have plants and/or outlet stores in foreign countries. Comment on the pros and cons of multinational firms.

15. Should there be codes of conduct established for multinational firms? If other countries do not establish ethical standards for foreign-based firms, should the United States set up its own code of conduct for United States firms abroad? (For an excellent discussion of United States practices abroad see "Made in U.S.A.," in GREAT DECISIONS '81, Foreign Policy Association, Inc., 205 Lexington Avenue, New York, N.Y. 10016 (pages 63-72).

16. Invite a local banker to explain what is meant by a "balance of payments."

17. Which of the following is considered an import and therefore an outflow of American payments? Which of the following is considered an export and therefore an inflow of payments for the United States? Identify any "invisible" items.
    (1) Ford Motor Company sells a Lincoln to an Arabian sheik.
    (2) A U.S. technician trains Peruvian computer programmers.
    (3) A Swedish tourist takes his family to the Grand Ole Opry.
    (4) Ford builds a plant in England.
    (5) Your family travels abroad on an Italian airliner.

NOTES

DEVELOPMENTAL ACTIVITIES AND DISCUSSION QUESTIONS

CONCEPT FOUR: INTERNATIONAL TRADE HAS IMPORTANT "SIDE EFFECTS" AND "FRINGE BENEFITS"

1. According to the Introduction to THE TRADE DEBATE, "For most nations since the beginning of history, trade has been a necessity." Why?

2. According to the Introduction to THE TRADE DEBATE, "Trade often forms a bridge between countries in different political worlds." How has this been illustrated by trade between capitalist and communist nations? Between developed and developing countries? What illustrations can you find in American history?

3. World trade may be bilateral or multilateral. Explain the difference. How was the famous triangular trade in our early history an illustration of multilateral trade?

4. In the Introduction to THE TRADE DEBATE is the following statement: "When the United States has a large trade surplus, the relationship between exports and imports attracts little attention. However, when imports begin to exceed exports, many Americans become disturbed; many fear for their jobs." Why? What is the condition at present--that is, do exports exceed imports or do imports exceed exports? Explain the role OPEC and cars from Japan have played in the present trade imbalance.

5. Theoretically the ideal condition is a balance of trade. What is a balance of trade? Why is it theoretically the ideal condition?

6. According to McCarty (DOLLARS AND SENSE, page 253), "Historians have identified the beginning of trade as a turning point in human progress. Trade began to flourish about 2000 B.C., when the Egyptians discovered the valuable properties of bronze, an alloy of tin and copper....However, sufficient quantities of the metals were found only in distant regions: tin in England and copper in India and other parts of the Middle East. Trade was necessary to bring the metals together. Trade opened many other opportunities for production within trading nations, and opportunities for other forms of communication as well. It helped bring together the cultural, intellectual, and technical accomplishments of many scattered peoples." Why would trade bring with it these "fringe benefits?" Give examples in modern times of trade between nations bringing with it "cultural, intellectual, and technical accomplishments" as well.

NOTES

7. Harriss (ECONOMICS: AN ANALYTICAL APPROACH, page 450) says: "Our economic well-being depends heavily upon our ability to buy and sell in other countries." Why?

8. How and why has international trade made the nations of the world increasingly interdependent?

9. Prepare a special report on OPEC and how its policies have affected the United States in general and Tennessee in particular. Be sure to include observations concerning the way(s) in which our foreign policy has been affected.

10. What are the responsibilities of the Special Representative for Trade Negotiations? How would these be related to U.S. foreign policy? The Special Representative is a Tennessean, Bill Brock. Write to him for information concerning his official duties and his opinion as to the importance of international trade, as well as the relationship between trade and foreign policy. His address is: The Honorable William Brock, Special Representative for Trade Negotiations, Office of the Special Representative for Trade Negotiations, 1800 G Street, Washington, D.C. 20506.

11. Invite the local foreign language teacher to describe economic opportunities in and interaction between the country (or countries) whose language he teaches and the United States, especially as regards visible and invisible trade.

12. Compile a list of the "side effects" and "fringe benefits" of international trade. Which of these do you consider favorable? Unfavorable?

13. What are the "side effects" and "fringe benefits" of tourism for Tennessee? For Music City, U.S.A.?

14. How are the country music stars of Nashville involved in invisible international trade? How is this a "fringe benefit" of world trade?

15. Why and how are multinational corporations a "side effect" of international trade?

16. How has trade been used as a political weapon in recent years?

17. What is meant by "sanctions" against a nation? How is the use of sanctions a political as well as an economic weapon?

18. What is an embargo? How is it related to both trade and politics?

NOTES

DEVELOPMENTAL ACTIVITIES AND DISCUSSION QUESTIONS

CONCEPT FIVE: INTERNATIONAL TRADE IS PROMOTED BY FREE TRADE AND LIMITED BY TRADE BARRIERS

1. What is free trade? Why would it promote international trade?

2. What is a "common market?" How is it related to the idea of free trade?

3. Why is the United States frequently described as the world's greatest common market? What provision in the U.S. Constitution created this great common market? What are the benefits of this great common market?

4. What is the European Economic Community (EEC)? How is it like the United States? How is it different?

5. On a map of Europe indicate the countries belonging to the European Economic Community (often called simply the European Common Market).

6. What advantages or benefits do the members of the European Economic Community have now that they did not enjoy prior to the formation of the EEC? Are all the member nations satisfied with the EEC? Why or why not?

7. If free trade is so desirable, why doesn't it exist worldwide?

8. Why don't the nations of the world form a worldwide common market?

9. Using the information on the front inside cover of THE TRADE DEBATE, prepare a wall chart showing "U.S. Import Dependence and Import Sources."

10. Why do nations erect trade barriers?

11. What are the most common forms of trade barriers?

12. What is a tariff? Duty? Customs (tax)? Import quota? What is the purpose of each?

13. How did the word tariff come to be applied to a tax on imports? (Harriss, ECONOMICS: AN ANALYTICAL APPROACH, page 468, says that: "The most common trade barriers are called tariffs, the word coming from Tarifa, a village in North Africa, whose pirates in days gone by exacted tributes from shipowners."

NOTES

14. Tariffs are imposed for one or more of the following reasons:
    (1) to raise revenue to support the government
    (2) to protect home industries from outside competition
    (3) to "get even with" or retaliate against another country that has enacted tariff or quota laws to keep out the goods of the first country
    (4) to aid in the balance of payments
    (5) to prevent "dumping"
    (6) to promote national defense by making the country self-sufficient and/or independent
    (7) to provide a variety of home industries
    (8) to protect new or "infant" industries
    (9) to protect the wages of American workers

    How can tariffs accomplish these objectives?

15. According to Golladay (ECONOMICS: PROBLEMS, PRINCIPLES, PRIORITIES, page 382), "Foreign competition conjures up images of poor Oriental workers laboring 16 hours a day in steamy, crowded factories. A popular view, and one that is frequently promoted by American workers who feel threatened by imported goods, is that allowing such people to compete will destroy American jobs and inflate American welfare rolls. Bumper stickers admonish us to 'Buy American,' and pamphleteers pass out little mimeographed tracts condemning department stores for contributing to the 'decline of the American economy' by stocking Korean shirts, Hong Kong suits, or Italian shoes." Are these arguments valid? Why or why not?

16. The scale of international trade suggests that international trade is profitable for someone. Who? Why?

17. Why do labor unions generally support protective tariff and/or quotas?

18. "When a particular industry is just beginning, it may need a protective tariff until it gets established," says McCarty (DOLLARS AND SENSE, page 273). Explain this statement. How valid is it?

19. One reason advanced for protective tariff is, according to McCarthy (DOLLARS AND SENSE, page 273), "to encourage domestic production and avoid dependence on a foreign supply for strategic resources such as food, energy, and uranium." Evaluate this argument. Do you think it justifies trade barriers? Why or why not?

20. List the advantages and disadvantages of tariffs, quotas, and other barriers to free trade. On the basis of your list, what groups do you think are likely to support trade barriers? Oppose trade barriers? Why?

NOTES

21. What is meant by a "most favored nation" status? How does it affect trade between nations?

22. How and why would each of the following affect international trade? (1) Import quotas (2) Product standards (3) Export subsidies?

23. On a recent talk show, the statement was made that the United States has supported free trade because it has always been to the advantage of the United States to do so. Is this statement correct? Support your answer.

24. Reproduce for the bulletin board a graphic depicting the United States tariff wall since about 1790. (Most U.S. history texts have such a wall; many economics texts do also.) What does this tell us about U.S. tariff policy over the years?

25. Which of the following promoted free trade by removing or modifying trade barriers? (See THE TRADE DEBATE, pages 5-8.)
    (1) GATT
    (2) Hawley-Smoot Tariff
    (3) The Kennedy Round
    (4) European Common Market
    (5) Reciprocal Trade Agreements
    (6) Multilateral Trade Negotiations (MTN)
    Define and discuss each of the items listed above.

26. The United States, West Germany, and Japan have been the world's major suppliers of sophisticated and highly technological equipment such as computers, aircraft, machine tools, automated assembly lines, and the like. Why? Should the United States place tariffs and/or quotas on these products from West Germany and Japan? Why or why not?

27. Since capitalism is rooted in the premise that the most efficient producer will survive, should the United States eliminate through trade regulations rival products from foreign countries that compete with our own goods? Would you feel the same if you were an American auto worker in Detroit or a labor union spokesman? Explain.

28. According to the booklet, FIVE DANGEROUS MYTHS ABOUT IMPORTS, EXPORTS, AND JOBS, what is the most dangerous myth of all? How is this myth--that American jobs need protection from imports--"debunked?"

NOTES

29. What are the five most dangerous myths? What are the facts in each case? (This could be a group assignment culminating in a panel report to the class.)

30. According to the booklet, FIVE DANGEROUS MYTHS..., "In addition to the absolute necessity of controlling domestic U.S. inflation, there are two effective and necessary steps we must take to improve our trade balance with the world--(1) reduce our dependence on high-cost ENERGY imports and (2) expand U.S. EXPORTS to the world. PROTECTIONISM simply will not work." Explain and evaluate this statement.

31. Read at least five articles on world trade in current magazines and discuss the implications of each. (This is an assignment that should be required of all students.)

32. Write a position paper on both the law and the slogan involved in "Buy American."

33. Prepare a report on the interrelation between international trade and foreign policy.

34. Prepare a report on the tariff in United States history. Be sure to investigate the relationship(s) between foreign trade and war.

35. Assign students roles in the following "socio-drama." Assume that a law has been proposed to place quotas on the number of cars that may be imported from Japan. Assume, also, that one of the Tennessee U.S. Senators has decided to hold a hearing in Nashville. Select students to play the following roles and testify at the hearing:
    (1) A satisfied Toyota owner
    (2) The owner of an imported car agency
    (3) A potential customer who has not yet decided on the car he wants
    (4) The owner of an agency that sells only American-made cars
    (5) An unemployed auto worker
    (6) An employee of the new Nissan plant
    (7) The leader of a labor union

    It is the responsibility of each student to develop his own arguments in favor of or opposed to the proposed legislation. Appoint a student to play the role of the Senator. After the hearing has been held, ask each student to write a statement explaining whether he thinks the Senator should vote for or against the proposed bill and why he takes the position he does. Tally the votes to see whether, if the class members were Senators, the bill would pass the Senate.

NOTES

36. Have students do tape-recorded interviews on the subject of international trade with parents, teachers, peers, community leaders, neighbors, and others. Have them summarize these for the class as a whole. Students can then compare their findings.

37. What is meant by the Trade Adjustment Assistance Act? What is its basic purpose? How is it related to the question of competition from imports?

38. What was the purpose of the Trade Act of 1974? What is the Economic Adjustment Administration?

39. What is trade adjustment assistance for workers?

40. For what purposes may the loans or loan guarantees provided by the Economic Development Administration (EDA) be used by firms that qualify for this type of assistance? Do you feel that such assistance is justified? Why or why not?

NOTES

DEVELOPMENTAL ACTIVITIES AND DISCUSSION QUESTIONS

CONCEPT SIX: INTERNATIONAL TRADE IS ACTIVELY PROMOTED BY THE STATE GOVERNMENT IN TENNESSEE

1. Why do the individual states promote international trade? Cite examples of competition between states for foreign trade/plants.

2. Arrange an interview with the Governor concerning Tennessee's program for attracting foreign firms and international trade. What efforts has he made in this area? Why? What arguments does he present to "sell" Tennessee to foreign firms? What else does he do to promote international trade?

3. Arrange an interview with the Commissioner of Agriculture for the State of Tennessee concerning the program(s) in his department for the promotion of international trade and why he considers this important. This may be an individual or a group assignment. It is recommended that this, like all other interviews, be recorded on tape. Permission of the person being interviewed should be secured in advance. This procedure prevents misquoting when a report is made to the class.

4. Invite the Tennessee Commissioner of Agriculture or another appropriate official in the department (e.g., from the Office of Foreign Markets) to speak to the class on the Tennessee program for promoting international trade and its importance for the state.

5. Assign a student to secure from the State Department of Agriculture, Office of Information and Publications, sample copies of materials published on international trade, especially as it relates to agricultural products.

6. Arrange an interview with the Commissioner of the Tennessee State Department of Economic and Community Development concerning its program for the promotion of foreign markets for Tennessee exports. Discuss with him the importance of international trade for Tennessee commerce and industry. (See suggestions in No. 3 above concerning interview techniques.)

7. Invite the Commissioner of the Tennessee State Department of Economic and Community Development to speak to the class on the role his department plays in the promotion of international trade for Tennessee.

8. Assign a student to contact the State Department of Economic and Community Development concerning publications of the department relating to imports and exports. Ask for samples of such publications to display for the class.

NOTES

9. According to the pamphlet, AGRIBUSINESS IN TENNESSEE, what are Tennessee's top agricultural products? List them in order of $ value.

10. Prepare an illustrated poster presenting the facts listed under "This Land of Tennessee Boasts" found in AGRIBUSINESS IN TENNESSEE.

11. According to the pamphlet, AGRIBUSINESS IN TENNESSEE:
    (1) How does Tennessee rank in the value of agricultural exports?
    (2) What types of farms are found in Tennessee?
    (3) What is Tennessee's transportation situation with respect to exports?

12. Reproduce in bulletin board size the state product map found in the pamphlet, AGRIBUSINESS IN TENNESSEE. This may be an individual assignment or a group project.

13. What percentage of the Tennessee population is engaged in farming? (See AGRIBUSINESS IN TENNESSEE.)

14. Using the pamphlet, TENNESSEE GO GLOBAL REVIEW, published by the Foreign Market Section of the Tennessee Department of Agriculture, identify and explain the purpose of each of the following:
    (1) The Foreign Market Section of TDA
    (2) SUSTA
    (3) FAS
    (4) The Trade Leads
    (5) International Food and Agricultural Trade Shows
    (6) CONTACTS
    (7) Instate services provided
    (8) Overseas Briefing
        (Compare this service with the comments on page 66 of "Made in U.S.A." in GREAT DECISIONS '81, the final paragraph on the page: "Other factors undermine U.S. competitiveness and inhibit exports....unaware that red and white stripes are the Japanese symbols for poison.")
    (9) REAP

15. Prepare a wall pictochart showing Tennessee agricultural products in the chart provided in the TENNESSEE GO GLOBAL REVIEW under the title, "Tennessee Agricultural Export Data."

16. Using the information in TENNESSEE GO GLOBAL REVIEW under the title, "Tennessee's International Agricultural Trade," answer the following:
    (1) How did Tennessee's agricultural exports rank in 1977?
    (2) Why does Tennessee have a promising future in exports?

NOTES

CULMINATING ACTIVITIES

1. Prepare an exhibit of Tennessee exports, identifying each, with appropriate maps indicating the "destinations" thereof. An excellent source of accurate information for the entire state is the TENNESSEE EXPORT/IMPORT TRADE DIRECTORY. Place this display in a local bank lobby, shopping mall, school trophy case, P.T.A. meeting, or other public place. An especially desirable/effective exhibit area would be the local airport.

2. Conduct a poster contest based on the title of this unit: INTERNATIONAL TRADE: TENNESSEE'S WINDOW ON THE WORLD. Place the entries (with award ribbons attached) on exhibit. See No. 1 above for suggestions for public display locations.

3. Invite one or more qualified guest speakers from industry, agriculture, government, business, banking, and/or labor unions to participate in a panel on the pros and cons of international trade (and its expansion). From the students involved in the study select a "panel" to present questions to the guests. If possible get newspaper coverage for the event.

4. Prepare an exhibit of products that demonstrate the fact that international trade is Tennessee's window on the world. Such an exhibit should incorporate both exports and imports and such related activities as banking and multinational business organizations. For suggestions concerning the location of this exhibit see No. 1 above. This could also be presented as a kind of "fair" or a feature of "Parents' Night."

5. Present a debate on some aspect of international trade such as:
   (1) Free Trade
   (2) Tariffs and Quotas
   (3) Imports/Exports and Jobs for Americans
   (4) Buy American (as a slogan and as a law)
   (5) Passage by Congress of a tariff or quota on Japanese cars

NOTES

6. Assign students roles in the "socio-drama" described below. Assume that a law has been proposed to place quotas on the number of cars that may be imported from Japan. Assume, also, that one of the Tennessee U.S. Senators has decided to hold a hearing in Nashville. Select students to play the following roles when they testify at the hearing:
   (1) A satisfied Toyota owner
   (2) The owner of an imported car agency
   (3) A potential customer who has not yet decided on the car he is going to buy
   (4) The owner of an agency that sells only American-made cars
   (5) An unemployed auto worker
   (6) An employee of the new Nissan plant
   (7) A labor leader

   Each student should be responsible for developing his own arguments for or against the proposed legislation. Select a student to act as the Senator. After the hearing has been held, ask each student to write a statement explaining whether he thinks the Senator should support or oppose the bill and why he takes the position he does. Tally the votes to see whether, if the class members were Senators, the bill would pass the Senate.

SPECIAL NOTE

In No. 1, in the list of possible culminating activities, numerous places are suggested as exhibit sites. There are many other possibilities, e.g. the meeting room for the Board of Education, the State Department of Education, the T.E.A. building, an office in the State Department of Agriculture, the State Department of Economic and Community Development, the school auditorium, in-service meeting(s), during National Education Week, the Teacher Center, etc.

SPECIAL RESOURCES

PACKET CONTENTS

A special packet of materials has been assembled to accompany this unit and will be available as long as the supply lasts. If one or more of the items listed below is not included in your packet, write directly to the address given for a copy of the resource needed.

American Importers Association: FIVE DANGEROUS MYTHS ABOUT IMPORTS, EXPORTS, AND JOBS. American Importers Association, 11 W. 42nd St., New York, N.Y. 10036. 1978.

Export Trade Promotion Office, Tennessee Department of Economic and Community Development: TENNESSEE EXPORT/IMPORT TRADE DIRECTORY. Export Trade Promotion Office, Tennessee Department of Economic and Community Development, 1018 Andrew Jackson State Office Building, Nashville, Tennessee 37219. 1981.

Foreign Market Section, Tennessee Department of Agriculture: TENNESSEE GO GLOBAL REVIEW. Nashville, Tennessee. [1978].

Foreign Policy Association: "Made in U.S.A.," GREAT DECISIONS '81, pages 63-72. Foreign Policy Association, 205 Lexington Avenue, New York, N.Y. 10016. 1981.

(The Foreign Policy Association has granted the League of Women Voters of Nashville permission to make a limited number of copies of this article. So far as possible one will be included in the packet. If your packet does not contain a copy, it will be necessary to use the GREAT DECISIONS '81 in the library/materials center.)

Industry and Trade Administration, U.S. Department of Commerce: TENNESSEE EXPORTS. State Export Series, Industry and Trade Administration, U.S. Department of Commerce, Washington, D.C. 20402. [1978].

Available from the Superintendent of Documents, U.S. Government Printing Office, Stock Number 003-009-00304-1.

League of Women Voters of Tennessee and Nashville: TENNESSEE'S STAKE IN INTERNATIONAL TRADE. Nashville, Tennessee. 1979.

A leaflet detailing the program presented by the International Relations Committee on October 17, 1979. This is included because it suggests excellent speakers for the classroom.

Tennessee Department of Agriculture: AGRIBUSINESS IN TENNESSEE. Tennessee Department of Agriculture, Nashville, Tennessee. N.d. [1979].

U.S. Department of Agriculture: FARM EXPORTS MAKE JOBS. U.S. Department of Agriculture, Washington, D.C. [1979].

U.S. Department of Commerce, Economic Development Administration: TRADE ADJUSTMENT ASSISTANCE PROGRAM. EDA Southeastern Regional Office, Suite 700, 1365 Peachtree Street, Northeast, Atlanta, Georgia 30309. March, 1977.

U.S. Department of Labor, Bureau of International Labor Affairs: TRADE ADJUSTMENT ASSISTANCE FOR WORKERS: QUESTIONS AND ANSWERS. U.S. Department of Labor, Washington, D.C. N.d. [1975?].

U.S. Department of State: THE TRADE DEBATE, REVISED MAY 1979. U.S. Department of State, WAshington, D.C. 1979.

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Antell, Gerson, and Harris, Walter, ECONOMICS FOR EVERYBODY, Amsco School Publications, Inc., 315 Hudson St., New York, N.Y. 10013, 1976.

Daugherty, Marion R., and Madden, Carl H., THE ECONOMIC PROCESS, Scott, Foresman and Co., Glenview, Illinois 60025, 1969. (A Teacher's Resource Book)

Golladay, Frederick L., ECONOMICS: PROBLEMS, PRINCIPLES, & PRIORITIES, The Benjamin/Cummings Publishing Company, Inc., Menlo Park, Calif. 94025, 1978.

Gordon, Sanford D., and Witchel, Jess, AN INTRODUCTION TO THE AMERICAN ECONOMY, ANALYSIS AND POLICY, D. C. Heath & Co., Boston, 1967.

Harriss, C. Lowell, ECONOMICS: AN ANALYTICAL APPROACH, Ginn & Co., Boston, Mass. 02117, New Edition, 1969.

League of Women Voters Education Fund, INTERNATIONAL TRADE: STYLE AND SUBSTANCE, League of Women Voters of the United States, 1730 M Street N.W., Washington, D.C. 20036 (Pub. No. 389, $1.25), 1980.

McCarty, Marilu Hurt, DOLLARS & SENSE, AN INTRODUCTION TO ECONOMICS, 2nd Edition, Scott, Foresman and Co., Glenview, Illinois 60025, 1979.

Sampson, Roy J., Mortenson, William P., and Marienhoff, Ira, THE AMERICAN ECONOMY: ANALYSIS, ISSUES, PRINCIPLES, Houghton Mifflin Company, Boston, Mass., 1972.

Unks, Gerald, TEACHER'S RESOURCE BOOK, Scott, Foresman and Co., Glenview, Illinois 60025, 1969. To accompany Daugherty & Madden, THE ECONOMIC PROCESS.

MAGAZINES AND NEWSPAPERS

NOTE: The articles listed below are examples of the material available in current periodicals. Since international trade is highly topical, no attempt is made to supply an extended catalogue of appropriate articles. Students should be encouraged to make use of guides to periodical literature available in both school and public libraries. Newspapers and current magazines, moreover, are filled with material relating to international trade.

"America's Pivotal Role as a Grain Exporter," U.S. NEWS AND WORLD REPORT, June 15, 1981, p. 67.

"Cold War's Impact on Business, Jobs, Taxes, Prices," U.S. NEWS AND WORLD REPORT, Jan. 28, 1980, pp. 27-29.

Friedman, Milton, "Do Imports Cost Jobs?", NEWSWEEK, Feb. 9, 1981, p. 77.

Green, Clair Makin, "The Top 50 Exporters," FORTUNE, Aug. 24, 1981, pp. 84-85.

Hall, Allen, "Tennessee Exports Worth $2 Billion," THE TENNESSEAN, Oct. 4, 1981, 1-D, 4-D.

McBee, Susanna, "Going the Extra Mile for Foreign Tourists," U.S. NEWS AND WORLD REPORT, July 6, 1981, pp. 56-57.

Sheler, Jeffrey L., "Detroit's Hard Sell to Lure Back Customers," U.S. NEWS AND WORLD REPORT, Feb. 25, 1980, pp. 71-72.

"Who's Hurt Most by Grain Embargo?", U.S. NEWS AND WORLD REPORT, Jan. 21, 1980, pp. 31-32.

"World Business," U.S. NEWS AND WORLD REPORT, Jan. 21, 1980, pp. 53-54.

Zanker, Alfred, "Are Trade Wars With Allies Inevitable in the '80s?", U.S. NEWS AND WORLD REPORT, Jan. 21, 1980, p. 62.

SIMULATION GAME

Rosser, David, TRADE--A SIMULATION OF THE PRESSURES AND PROCEDURES OF INTERNATIONAL COMMERCE, Interact Company, Box 262, Lakeside, California 92040, 1974.

GLOSSARY

Absolute advantage: The ability to produce goods more cheaply than is possible in any other region.

Adjustment assistance: The Trade Act of 1974 recognizes that tariff concessions resulting in increased imports may cause serious injury to some U.S. workers and firms. In such cases, the government may provide financial assistance to workers, firms, communities, or entire industries.

Balance of payments: A record which shows all financial transactions, private and government, between one nation and another. It covers receipts from foreign countries and payments to them.

Balance of trade: The relationship between imports and exports. It is one aspect of balance of payments.

Bilateral trade agreements: Negotiations between two nations which provide for (1) reciprocal trade, (2) most favored nation treatment, (3) nontariff restrictions on trade.

Buy-American: Legislation which requires that government procurement agencies favor domestic goods. A BUY AMERICAN bumper sticker and/or slogan is also used to promote the purchase of products "Made in the U.S.A."

Capitalism: An economic system in which the means of production are privately owned and income is derived through competitive markets.

Commodity: The unprocessed product from mining or agriculture. Visible commodities are tangible items. Invisible ones include tourism, music, fairs and sports contests.

Common market: A popular term for European Economic Community (EEC), which is a regional economic grouping of ten European nations in which trade restrictions are eliminated; any group of states that do not place trade restrictions on each other's products.

Communism: A system of society in which all property is owned by the state and income is to be shared by citizens according to their needs.

Comparative advantage: The ability to produce goods with a relatively greater cost advantage than is possible in some other nation.

Consumers: Individuals, families, business firms and governments who acquire goods and services for final use.

Currency: Government-issued paper money which is not based upon the supply of precious metals.

Dumping: The selling of goods by foreigners in the domestic market at less than fair market value, resulting in material injury to domestic producers.

Duty: A special tax, based on tariff rates, which is applied to imported goods and commodities.

Economic sanctions: A situation in which one nation secures agreements from other nations to limit their trade with a nation.

Embargo: The prohibiting of movement of goods to another country. It may be used as a reprisal against a nation which is violating an international law or agreement.

Exchange rate: The price of one nation's currency in terms of that of another nation.

Exports: Products which are shipped to other countries.

Export subsidies: Special incentives such as direct payments which are provided to exporters to enable them to sell abroad at lower prices than at home.

Finished product: Manufactured product or a processed food.

Fixed currency rate: The situation when currency prices are set at an established amount and do not vary.

Floating exchange rate: The situation when currency prices are allowed to rise and fall according to their supply and demand.

Free trade: The elimination of export and import duties or any other regulations designed to prevent trade between nations.

General Agreement on Tariffs and Trade (GATT): A multilateral agreement originally negotiated at Geneva in 1947 among twenty-three countries including the United States for reduction of tariffs and other trade barriers. From this agreement seven meetings on tariff negotiations have taken place.

Gross National Product (GNP): Total market value, in current prices, of all goods and services produced in a given country over a period of time, usually a year.

Imports: Products which are brought into a nation from another one.

Kennedy Round: A name applied to the sixth meeting of tariff negotiations under GATT which was held in Geneva (1964-1967).

Market: Any situation where exchange takes place.

Multilateral agreement: An agreement among many countries. GATT is an example.

Multilateral trade negotiations (MTN): The present round of trade negotiations. Also known as the Tokyo Round because it was agreed upon at a meeting of foreign ministers in Tokyo in 1973. This is the most comprehensive round to date, including tariffs, nontariff barriers, and reform of GATT.

Multinational corporations: Firms which carry on productive operations in more than one country.

Nontariff barriers: Term applied to government restrictions, other than tariffs, which distort the flow of international trade. All countries impose some nontariff barriers. Among them are restrictions on the quality of goods, sanitary and health requirements, methods of placing values on imports, and domestic subsidies.

Organization of Petroleum Exporting Countries (OPEC): A cartel of oil-producing nations established in 1960 to unify and coordinate their petroleum supply and pricing policies.

Petrodollars: Outflow of U.S. dollars for high-priced Arab petroleum.

Productivity: Measure of the efficiency of production.

Protectionism: A term used which refers to the attempt to "protect" domestic products or industries from foreign competition by imposing quotas or tariffs on imports.

Quota: A limit which is placed upon certain products which are exports.

Raw materials: Minerals and agricultural products which are useful in producing manufactured goods or processed foods.

Reciprocal trade agreements: In American practice, an agreement with one or more nations under which trade barriers are reduced in return for reductions of foreign barriers against American goods.

Retaliation: Action which is taken by a country against another country because of the imposition of tariffs or other trade barriers.

Tariff: A tax levied on imports.

Tokyo Round: Round of General Agreement on Tariffs and Trade (GATT) negotiations begun in Tokyo in 1973 and completed in 1979, which resulted in agreement to undertake a one-third overall reduction in tariff levels and to reduce nontariff barriers to trade.

Trade Act of 1974: The current legal authority under which the United States (a) participates in the MTN; (b) takes measures to protect American industries hit by heavy imports or unfair trade practices of other nations; (c) provides adjustment assistance; (d) provides special tariff treatment for imports from lesser developing countries; and (e) regulates trade with communist countries.

Trade deficit: A situation which occurs in the nation's economy when it spends more for imports than it receives from its exports.